

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 STR-04 MMO-04 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05
SS-15 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01
/098 W

-----021956Z 033593 /43

R 021200Z APR 77
FM AMEMBASSY PORT OF SPAIN
TO SECSTATE WASHDC 507

UNCLAS PORT OF SPAIN 0899

E.O. 11652: N/A
TAGS: ETRD TD
SUBJ: GSO FIRST YEAR REVIEW

REF: STATE 067507

1. THE FOLLOWING COMMENTS ARE BASED ON INFORMAL CONVERSATIONS WITH OFFICIALS OF MINISTRY OF INDUSTRY AND COMMERCE.

2. SOME SPECIFIC PRODUCTS WHICH HAVE SHOWN SIGNIFICANT INCREASES IN EXPORTS AS A RESULT OF PREFERENCES INCLUDE JEWELRY, FALSE TEETH, COMPUTER MEMORY CORES, CHOCOLATES, AND PROCESSED FOODS. OF THESE, JEWELRY AND CHOCOLATES ARE ESSENTIALLY NEW, NON-TRADITIONAL EXPORTS.

3. MINISTRY KNOWS OF NOW NEW INVESTMENT MADE SPECIFICALLY TO TAKE ADVANTAGE OF GSP, AS MOST OF THE FIRMS HAVE TAKEN ADVANTAGE OF EXCESS CPACITY IN EXISTING PLANT BY ADDING MORE WORKERS. AS THESE EXPORTS GROW, IT IS EXPECTED THAT THIS NEW MARKET WILL FIGURE IN THEIR OVERALL INVESTMENT PLANS, HOWEVER.

4. ONLY KNOWN CASE WHERE PAPERWORK WAS NOT WORTH THE
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CANDLE WAS IN CASE OF GARDEN VEGETABLES, WHERE SEVERAL VARIETIES WERE EXPORTED, SOME OF WHICH WERE ALREADY DUTY FREE, AND EXPORTER DID NOT CONSIDER IT WORTH HIS WHILE TO FILL OUT FORMS FOR FEW ITEMS WHICH WERE DUTIABLE.

5. CUSTOMS OFFICER WHO ASSISTS IN PREPARATION OF FORM A DOES RECALL CASES WHERE U.S. IMPORTER ASKED LOCAL

EXPORTER FOR FORMS AFTER PRODUCT WAS SHIPPED, SUGGESTING THAT THERE ARE SOME LOCAL EXPORTERS WHO ARE NOT AWARE OF EXISTENCE OF GSP AND PROCEDURES. IN GENERAL, HOWEVER, WE BELIEVE THAT MINISTRY OF INDUSTRY AND COMMERCE HAS DONE GOOD JOB OF MAKING LOCAL INDUSTRY AWARE OF PREFERENCES. THERE IS ALSO SOME INDICATION THAT U.S. IMPORTERS NEED TO BE MORE FULLY INFORMED ON THEIR END.

6. WHILE IMPACT OF GSP ON OVERALL ECONOMY SO FAR HAS BEEN MARGINAL, IT IS CONSIDERED IMPORTANT BECAUSE DIVERSIFICATION OF EXPORTS AWAY FROM OIL AND INCREASING EMPLOYMENT ARE TWO MAJOR OBJECTIVES OF THIS GOVERNMENT.

7. MAJOR PROBLEMS, ACCORDING TO MINISTRY OFFICIALS, ARE UNCERTAINTIES ASSOCIATED WITH COMPETITIVE NEED PROVISIONS OF GSP, PRESIDENTIAL DISCRETION IN REMOVING ITEMS FROM GSP, AND EXCLUSION OF OPEC COUNTRIES FROM BENEFITS. NATURE OF PROVISION RELATING TO REGIONAL ORIGIN IS ALSO PROBLEMATICAL BECAUSE 50 PERCENT VALUE ADDED CRITERIA CONTINUES TO APPLY EVEN IF OTHER COMMON MARKET PARTNERS DROP OUT OF THE PICTURE. MINISTRY OFFICIALS BELIEVE THESE UNCERTAINTIES HAVE INHIBITED INVESTMENT AIMED PRIMARILY AT TAKING ADVANTAGE OF GSP, PARTICULARLY INVESTMENT IN A REGIONAL BASIS.

8. SOME PARTICULAR PROBLEMS WERE NOTED IN CONNECTION WITH THE COMPETITIVE NEED PROVISIONS. THESE INCLUDE THE IMPRECISION OF THE DEFINITION OF LIKE AND COMPETITIVE PRODUCTS, THE INABILITY OF ONE EXPORTING COUNTRY TO PREDICT WHEN THE 50 PERCENT OR \$25 MILLION MAXIMUM LIMITS WERE REACHED, AND UNCLASSIFIED

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THE FACT THAT REACHING THE LIMITS MEANT THAT PREFERENCES WERE CUT OFF ENTIRELY, RATHER THAN BEING PHASED OUT, WHICH MIGHT MEAN A SIGNIFICANT DISLOCATION TO THE INDUSTRY.

9. WITH REGARD TO THE UNCATD FORM A NOW BEING USED, CUSTOMS OFFICIALS NOTED THE CONFUSION THAT EXISTS OVER DEFINITIONS ON VALUE ADDED WHICH APPEAR ON THE FORMS AS USED IN EUROPE AND AS USED BY THE U.S. WHILE USE OF ADDENDUM TO THE FORM HAS HELPED, THEY WOULD MUCH PREFER THAT U.S. CUSTOMS ISSUE ITS OWN FORM (WHICH THEY CAN REPRODUCE LOCALLY), PREFERABLY STREAMLINED TO MAKE COMPLETION EASIER.

10. IN CONNECTION WITH THE DISCUSSION REPORTED PARAGRAPH 8 ABOVE, THE GOTT HAS NOTED THAT PREFERENCES HAVE RECENTLY BEEN GRANTED ON BULK TEQUILA. SINCE MEXICO IS PRESUMABLY COMPETITIVE IN THIS PRODUCT, THEY WONDER BY WHAT CRITERIA PREFERENCES WERE GRANTED, AND IN PARTICULAR HOW THESE CRITERIA DIFFER FROM THOSE USED IN DENYING PREFERENCES ON ANGOSTURA BITTERS. EMBASSY WOULD APPRECIATE DEPART-

MENT'S COMMENTS ON THIS MATTER.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, EXPORTS, GENERALIZED PREFERENCES (TARIFFS)
Control Number: n/a
Copy: SINGLE
Sent Date: 02-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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From: PORT OF SPAIN
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770496/aaaadfjhj.tel
Line Count: 118
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7a878bab-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STATE 67507
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2920448
Secure: OPEN
Status: NATIVE
Subject: GSO FIRST YEAR REVIEW
TAGS: ETRD, TD
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7a878bab-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009